

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SSO-00 NSCE-00 SS-15 NSC-05 SP-02  
PRS-01 CIAE-00 INR-07 NSAE-00 INRE-00 DODE-00  
PM-05 DHA-02 MCT-01 EB-08 /061 W  
-----058629 162322Z /66

O R 162126Z AUG 77

FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC NIACT IMMEDIATE 6080  
INFO AMEMBASSY ASUNCION  
AMEMBASSY BRASILIA  
AMEMBASSY BUENOS AIRES  
AMEMBASSY LA PAZ  
AMEMBASSY LIMA  
AMEMBASSY MONTEVIDEO  
AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 6703

E.O. 11652: GDS

TAGS: OTRA SHUM PINT PGOV (TODMAN, TERENCE) CI  
SUBJECT: TODMAN VISIT: SECOND DAY IN SANTIAGO: CALL ON PRESIDENT  
PINOCHECHET AND ECONOMIC SUBJECTS

REF: BUENOS AIRES 6016 (NOTAL)

1. ASSISTANT SECRETARY TODMAN AND CHARGE WERE RECEIVED  
BY PRESIDENT PINOCHECHET PROMPTLY AT 5:00 P.M. FOREIGN  
MINISTER CARVAJAL AND JORGE CAUAS, CHILEAN AMBASSADOR TO  
THE U.S., ALSO WERE PRESENT. THE SCHEDULED ONE-HALF  
HOUR EXCHANGE OF VIEWS EXPANDED TO AN HOUR'S CONVERSA-  
TION FOLLOWED BY ANOTHER 20 MINUTES OF TALKS DURING  
A TEA HOSTED BY THE PRESIDENT.

2. PINOCHECHET BEGAN WITH THE STANDARD GOC DESCRIPTION  
OF THE HORRIBLE CHAOS OF THE ALLENDE YEARS, THE DEMAND  
BY THE VAST MAJORITY OF CHILEANS THAT THE MILITARY TAKE  
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OVER THE GOVERNMENT TO END THE "MARXIST REIGN OF TERROR,"  
AND THE NEED FOR TOUGH MEASURES AS A REACTION AGAINST THE  
THREAT OF URBAN GUERILLA WARFARE IF NOT FULL CIVIL WAR.  
PINOCHECHET UNDERLINED THAT WHILE MANY OTHER COUNTRIES IN  
LATIN AMERICA AND THE WORLD WERE SUBJECTED TO A SITUA-  
TION IN WHICH PRIVATE CITIZENS, GOVERNMENT OFFICIALS  
AND THE LEFT-WING POLITICAL OPPOSITION WERE ALL BEING

KILLED, CHILE WAS AN ISLAND OF TRANQUILITY IN WHICH 99.9 PERCENT OF THE CITIZENS WENT ABOUT THEIR BUSINESS IN SAFETY AND WITHOUT COMPLAINT.

3. FOLLOWING THE USUAL PATTERN, PINOCHET'S HARD-NOSED BEGINNING WAS SUCCEEDED BY MORE TEMPERED COMMENTS. HE LAMENTED THE UNRELENTING PROPAGANDA CAMPAIGN AGAINST THE GOC BY THE SOVIETS AND ALL OTHER MARXIST ELEMENTS, NOTING THAT IN FACT THE CHILEAN REALITY WAS MUCH BETTER THAN ITS INTERNATIONAL IMAGE. PINOCHET SAID THAT IT WAS PRECISELY BECAUSE OF THE DISPARITY BETWEEN THE IMAGE (TOTALITARIAN REGIME) AND THE REALITY (A PROCESS OF NORMALIZATION) THAT HE WELCOMED VISITS SUCH AS AMBASSADOR TODMAN'S. HE ALSO DISCUSSED AT SOME LENGTH THE SOCIAL PROGRAMS (HEALTH, EDUCATION AND HOUSING) WHICH WERE BEING SUCCESSFULLY CARRIED THROUGH UNDER HIS ADMINISTRATION.

4. ASSISTANT SECRETARY TODMAN EMPHASIZED THAT THE PURPOSE OF HIS TRIP WAS TO LEARN. SHE HAD COME TO MEET AND CONVERSE WITH A VARIETY OF CHILEANS IN ALL AREAS OF CHILEAN LIFE. HE WAS HAPPY TO REPORT THAT HE HAD BEEN ABLE TO DO SO WITH RESULTS HE FELT WOULD CONTRIBUTE TO INCREASED COMPREHENSION IN EACH COUNTRY OF THE TOUR. TODMAN ASSURED PINOCHET THAT THE USG WAS NOT INTERESTED IN OVERTHROWING ANY GOVERNMENT OR INTERVENING IN THE CONFIDENTIAL

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POLITICAL LIFE OF ANY NATION.

5. AMBASSADOR TODMAN STATED THAT, WHILE THE USG DID NOT WISH TO DICTATE OR IMPOSE, HE WANTED PRESIDENT PINOCHET AND THE GOC TO UNDERSTAND THAT HUMAN RIGHTS WAS THE CENTERPIECE OF THE CARTER ADMINISTRATION'S FOREIGN POLICY. IN THIS SENSE US POLICY WOULD BE TO ENCOURAGE A PROCESS IN ALL COUNTRIES (INCLUDING THE US) OF FURTHERANCE OF HUMAN RIGHTS IN THREE DIMENSIONS; THAT OF PROTECTION OF THE PERSON; THAT OF A DECENT STANDARD OF LIVING (INCLUDING ECONOMIC, HEALTH AND EDUCATION), AND THAT OF PARTICIPATION IN THE POLITICAL LIFE OF A COUNTRY.

6. AMBASSADOR TODMAN NOTED WITH APPROVAL THE NEWS (ANNOUNCED A FEW HOURS PREVIOUSLY) THAT THE DIRECTORATE OF NATIONAL INTELLIGENCE WAS A POSITIVE MOVE IN THE RIGHT DIRECTION AND QUERIED PINOCHET AS TO WHAT FURTHER STEPS THE GOC CONTEMPLATED IN RETURNING TO A NORMAL SITUATION. DRAMATIC MOVE SUCH AS REDUCING OR ABOLISHING STATE OF SIEGE OR COMMUTING SENTENCES OF CARLOS LAZO AND ERICH SCHNAKE COULD HAVE IMPORTANT EFFECT IN

CONVEYING THAT REAL IMPROVEMENTS ARE BEING MADE.

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PRS-01 CIAE-00 INR-07 NSAE-00 INRE-00 DODE-00  
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O R 162126Z AUG 77  
FM AMEMBASSY SANTIAGO  
TO SECSTATE WASHDC NIACT IMMEDIATE 6081  
INFO AMEMBASSY ASUNCION  
AMEMBASSY BRASILIA  
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AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 6703

7. PINOCHET RESPONDED BY SAYING DINA HAD BEEN DISSOLVED BECAUSE IT HAD SERVED ITS PURPOSE. RATHER THAN REACTING TO TERRORISTS AFTER CITIZENS HAD BEEN KILLED, DINA HAD BROKEN UP THE LEFT-WING KILLER GROUPS. HE SAID HE THOUGHT THAT THERE WAS STILL SOME DANGER OF A RESURGENCE OF TERRORIST ACTIVITY AND THAT THEREFORE HE WAS DETERMINED TO MOVE CAREFULLY ON THE STATE OF SIEGE. WITH AN AMUSED SMILE, PRESIDENT PINOCHET SAID HE HAD BEEN CONSIDERING REDUCING THE STATE OF SIEGE BUT THAT AMBASSADOR TODMAN'S VISIT HAD MADE IT IMPOSSIBLE SINCE TO DO SO WOULD APPEAR TO BE KNUCKLING TO INTERNATIONAL PRESSURE. FOLLOWING DISCLAIMERS PINOCHET SAID THAT HE WAS CONSIDERING REDUCING THE STATE OF SIEGE FURTHER AND ALLEVIATING THE CURFEW.

8. IN RESPONSE TO ASSISTANT SECRETARY TODMAN'S QUESTION ABOUT PINOCHET'S PLAN FOR EVENTUAL ELECTIONS, THE LATTER NOTED THAT A RETURN TO NORMALITY WAS NOT A RETURN TO  
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THE PAST. THE ARMED FORCES WOULD NEVER ACCEPT THE RE-ESTABLISHMENT OF THE FORMER "POLITQUERIA" (CORRUPTION PLUS LOG-ROLLING). ON TIMING, PINOCHET SAID (NOT VERY CONVINCINGLY) THAT HE COULD LEAVE NOW BUT THAT THE SYSTEM WOULD BE THE SAME. THE RETURN TO ELECTIVE POLITICS SHOULD BE CAREFULLY ORCHESTRATED IN ORDER TO AVOID BEING PREMATURE. HE CITED THE REVOLVING DOOR MILITARY-CIVILIAN-MILITARY GOVERNMENTS OF ARGENTINE AND ECUADOR AS EXAMPLES OF THE DANGER OF TOO MUCH HASTE.

9. COMMENT. THE TONE OF THE CONVERSATION THROUGHOUT WAS ONE OF FRANK AND CORDIAL DIALOGUE. AS NOTED PREVIOUSLY, PINOCHET APPRECIATES DIRECTNESS. WE JUDGE THAT ASSISTANT SECRETARY TODMAN'S CALL ON PINOCHET WILL CONTRIBUTE TO SUSTAINING MOMENTUM TOWARD ACHIEVEMENT OF ADDITIONAL U.S. HUMAN RIGHTS OBJECTIVES IN CHILE.  
UNQUOTE

BEGIN ECONOMIC SUBJECTS

QUOTE

1. ECONOMIC TEAM LUNCHEON. FINANCE MINISTER SERGIO DE CASTRO ENCAPSULATED CHILEAN ECONOMIC HISTORY OVER THE PAST FORTY YEARS IN ORDER TO ILLUSTRATE THAT THE MEASURES PRESENTLY BEING UNDERTAKEN ARE INDISPENSIBLE TO BRING CHILE BACK TO ECONOMIC HEALTH. A DESIRE FOR INDUSTRIAL SELF-SUFFICIENCY, NOT FEASIBLE IN A COUNTRY OF ONLY TEN MILLION PEOPLE, CREATED INEFFICIENT INDUSTRIES REQUIRING SUBSIDY AND HIGH TARIFF PROTECTION. THE PRODUCT WAS SHODDY AND HIGH PRICED. ERRORS IN LAND REFORM, PLUS CHEAP FOOD IMPORTS, HELPED TO SPOIL THE AGRICULTURAL SECTOR IN WHICH CHILE POSSESSED A TRUE COMPETITIVE ADVANTAGE.  
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VANTAGE. THE ECONOMY WAS DOMINATED BY THE GOVERNMENT, ALLOWING INSUFFICIENT PLAY FOR MARKET SOURCES. TODAY, THE ECONOMY IS BEING TURNED AROUND. TARIFFS ARE BEING PROGRESSIVELY LOWERED. CHILEAN PRODUCERS ARE EXPORTING PRODUCTS, AND FINDING MARKETS, NEVER IMAGINED BEFORE. INFLATION, THE RESULT OF PAST DISTORTIONS, IS DIMINISHING SIGNIFICANTLY. INTERNATIONAL DEBTS ACCUMULATED IN ORDER TO ENABLE CHILE TO LIVE BEYOND ITS MEANS ARE BEING PAID OFF. AND ALTHOUGH THE DOMESTIC COSTS HAVE BEEN HIGH, UNEMPLOYMENT IS FALLING, PRODUCTION IS RISING, AND REAL WAGES ARE RISING IF ANYTHING FASTER THAN THE GROSS DOMESTIC PRODUCT (N.B.: THIS LINE OF ARGUMENT WAS CHALLENGED BY THE OPPOSITION, INCLUDING THE CARDINAL

AND FORMER PRESIDENT FREI. EMBASSY ECONOMIC REPORTING  
WILL EXPAND ON THIS PROFOUND ECONOMIC DEBATE.).

2. CEPAL (ECLA) IN A SESSION WITH SENIOR OFFICIALS OF  
THE LOCAL FAMILY OF UN AGENCIES, BOBTAINED BECAUSE OF  
THE TIME OVERRUN WITH PRESIDENT PINOCHET (SEPTTEL), EN-  
RIQUE IGLESIAS OUTLINED CEPAL'S PRINCIPAL PHILOSOPHIC  
CONCERNS. THESE INCLUDED THE RELATIONSHIP AND FREQUENT  
DISCREPANCY BETWEEN ECONOMIC GROWTH AND SOCIAL DEVELOP-  
MENT, LATIN AMERICA'S ECONOMIC RELATIONSHIPS WITHIN  
ITSELF, AND THE CONTINENCE OF RELATIONSHIPS WITH THE  
OUTSIDE, PARTICULARLY THE DEVELOPED WORLD. AMBASSADOR  
TODMAN, ASKED TO MAKE SOME EXTEMPORANEOUS REMARKS, RE-  
PLIED BY RESTATING A SERIES OF BASIC CONCERNS. FOR  
EXAMPLE, TO HIS QUESTION ABOUT THE MOUNTING INTERNATIONAL  
DEBT OF LATIN AMERICAN COUNTRIES, NOTED ECONOMIST CARLOS  
MASSAD POINTED TO CEPAL'S RECENT STUDIES IN THIS AREA,  
AND THE CONDITIONS WHICH IN THE DEVELOPED WORLD HELP TO  
DETERMINE THE DIMENSIONS OF THE LDC MOUNTING DEBT  
PROBLEM. CLEARLY, ENHANCED ECONOMIC ACTIVITY IN DEVELOPED  
COUNTRIES IMPROVES EXPORT REMITTANCES AND THE BALANCE OF  
PAYMENTS PICTURE FOR DEVELOPING COUNTRIES IN LATIN  
AMERICA. MASSAD WENT ON TO NOTE THE CAUTION WITH  
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WHICH DEVELOPED COUNTRY CAPITAL MARKETS APPROACH THE  
CAPITAL NEEDS OF DEVELOPING COUNTRIES. IN SUMMARY,  
AMBASSADOR TODMAN WAS ABLE TO CONVEY TO THESE ASSEMBLED  
ECONOMISTS THAT HE WAS FULLY AND SYMPATHETICALLY AWARE  
OF THE PRINCIPAL ECONOMIC ISSUES IN LATIN AMERICA, AND TO  
DISPLAY HIS INTEREST AND CONCERN FOR THE FUTURE OF CEPAL.  
END. UNQUOTE  
BOYATT

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## Message Attributes

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**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009